Ignored: the common citizen

By Shaukat Ali

LAHORE, Dec 31: As if the increase in the general sales tax was not enough to push up prices, the government has now asked importers to obtain 80 per cent, instead of 50 per cent, of foreign exchange from the open currency market at the inter-bank-floating rate in order to purchase goods from the international markets.

Since the greenback is dearer in the form of composite exchange rate by about Rs 5 per dollar as compared to the official rate, importers have worked out that the new measure will effect an overall increase from three to four per cent in the total import cost. As the volume of the cost of imported goods soars high, duties and sales tax on imported goods will inevitably register a rise commensurate with the import value.

The accumulative impact of the new government decision, according to business circles, will be a price rise in imported goods in the retail markets at around eight per cent.

Pakistan's imports have been outweighing exports for decades and that, too, of scores of goods of daily use which an average household cannot do without. Under these conditions common citizens, already desperately looking for some respite from spiralling prices are now again facing another surge in the prices of essential articles.

It appears as if the government is concerned only about the balance sheet relating to its own accounts and is not bothered about the cost even if it cripples the citizen.

No wonder that the average person mistrusts the lofty claims of the government about having settled terms with the World Bank and the IMF for the benefit of the people.

The government should not assume that people are unaware of the money coming to it from many sources which were not accounted for in the annual budget and which is not being spent to ease economic hardships at the grassroots level.

For instance, the sharply falling crude oil rate in the international market is bringing an unprecedented windfall to the government enabling it in the present fiscal year alone to reap an additional amount of Rs 70 billion to Rs 75 billion from the difference in prices between the international and the home market.

The unexpected release of stuck up $466 million from the US against the inconclusive F-16 deal - around Rs 23 billion - must have eased the financial crunch for Islamabad. Of this amount, the government hopes to spend $140 million to lift wheat from the US in the coming two years, relieving it further from the worries of maintaining the wheat supply at the desired rates for at least the next two years.

Fortunately enough, the gamble of floating dollar bonds to beat the threat of world sanctions has proved a success as it brings $310 million to the official kitty thus making it fairly convenient for the government to replenish the depleted foreign currency accounts of citizens of Pakistan which were grabbed by Islamabad to meet a crisis situation.

The remittance situation is most likely to improve with the permission by the government to expatriates to convert foreign currency sent by them at the composite exchange rate.

Seen along side some other key factors working to ease the financial miseries of the government in the export sector, it is incomprehensible as why the government is showing so much stubbornness in passing on the benefit to the people. What irks more is the fact that no plan is in sight to offset the impact of the indirect taxation of Rs 7 billion through the GST and an increase in the import value, which will further burden the end consumers.

The government must not overlook the fact that public sector employees have been waiting for some increase in their salaries since 1993. During these five years the rise in utility bills alone has swallowed up whatever little they could have saved from their limited incomes for the future of their children or in getting quality education for them.

The fixed income group in the private sector has been even worst hit economically because the scourge of joblessness has helped only to further squeeze their resources. They are passing each day hoping that the government will bring them some solace.

If the government does not feel shy of imposing new taxation worth billions of rupees before or after the annual budget, it should not feel averse to offering relief to the people caught up in the economic quagmire at any point of the year as well. They can only feel battered by the operation of free-market economy — at least from what they have seen happening in their country.